
Edison Welding Institute

Consolidated Financial Report
June 30, 2021

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Independent Auditor's Report

To the Board of Directors
Edison Welding Institute

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Edison Welding Institute (EWI), which comprise the consolidated statement of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Edison Welding Institute as of June 30, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the consolidated financial statements, EWI adopted the provisions of Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, using the modified retrospective adoption method as of July 1, 2020. Our opinion is not modified with respect to this matter.

To the Board of Directors
Edison Welding Institute

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022 on our consideration of Edison Welding Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Edison Welding Institute's internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 24, 2022

Consolidated Statement of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,386,046	\$ 7,174,755
Investments	3,445,527	-
Accounts receivable:		
Billed - Net	2,619,167	2,697,562
Employees	16,248	13,177
Unbilled contracts in process	3,240,905	3,212,555
Inventory	18,493	1,904,122
Prepaid expenses and other current assets	523,077	503,142
Total current assets	14,249,463	15,505,313
Other Assets - Deferred tax asset (Note 17)	118,000	193,000
Property and Equipment - Net (Note 4)	8,582,454	10,428,676
Intangible Assets - Net (Note 7)	901,915	1,017,433
Total noncurrent assets	9,602,369	11,639,109
Total assets	\$ 23,851,832	\$ 27,144,422
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,127,217	\$ 1,167,741
Short-term debt (Note 8)	-	950,000
Accrued and other current liabilities	1,329,502	1,145,686
Unearned revenue	4,180,863	5,141,142
Current portion of capital lease payable (Note 12)	338,880	245,986
Total current liabilities	6,976,462	8,650,555
Paycheck Protection Program Loan (Note 10)	-	2,823,907
Capital Lease Payable - Net of current portion (Note 12)	741,998	798,929
Other Liabilities	141,235	134,336
Unearned Revenue	1,188,867	1,263,171
Total liabilities	9,048,562	13,670,898
Net Assets		
Without donor restrictions:		
Edison Welding Institute	13,870,947	13,014,820
Noncontrolling interest (Note 18)	854,422	307,366
Total without donor restrictions	14,725,369	13,322,186
With donor restrictions	77,901	151,338
Total net assets	14,803,270	13,473,524
Total liabilities and net assets	\$ 23,851,832	\$ 27,144,422

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Research and education activities	\$ 23,027,174	\$ 90,000	\$ 23,117,174	\$ 26,949,040	\$ 250,000	\$ 27,199,040
Membership revenue	1,351,584	-	1,351,584	1,608,532	-	1,608,532
Product sales	6,953,123	-	6,953,123	2,396,214	-	2,396,214
Lease revenue	230,330	-	230,330	271,956	-	271,956
Other revenue	152,968	-	152,968	367,561	-	367,561
Paycheck Protection Program loan forgiveness	2,823,907	-	2,823,907	-	-	-
Net assets released from restrictions	163,437	(163,437)	-	98,662	(98,662)	-
Total revenue, gains, and other support	34,702,523	(73,437)	34,629,086	31,691,965	151,338	31,843,303
Expenses						
Program expenses - Cost of research and education activities	30,105,602	-	30,105,602	28,943,910	-	28,943,910
General and administrative	2,515,387	-	2,515,387	3,230,462	-	3,230,462
Unallocated expenses - Interest expense	70,846	-	70,846	40,868	-	40,868
Total expenses	32,691,835	-	32,691,835	32,215,240	-	32,215,240
Change in Net Assets - Before other items	2,010,688	(73,437)	1,937,251	(523,275)	151,338	(371,937)
Other Items						
Income tax expense	(88,471)	-	(88,471)	(165,684)	-	(165,684)
Distributions to noncontrolling interest	(519,034)	-	(519,034)	-	-	-
Change in Net Assets	1,403,183	(73,437)	1,329,746	(688,959)	151,338	(537,621)
Net Assets - Beginning of year	13,322,186	151,338	13,473,524	14,011,145	-	14,011,145
Net Assets - End of year	\$ 14,725,369	\$ 77,901	\$ 14,803,270	\$ 13,322,186	\$ 151,338	\$ 13,473,524

Consolidated Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 1,329,746	\$ (537,621)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	2,061,003	1,962,941
Loss (gain) on disposal of assets	278,751	(29,500)
Bad debt (recovery) expense	(32,050)	19,915
Impairment of intangible assets	197,174	91,426
Paycheck Protection Program loan forgiveness	(2,823,907)	-
Distribution to noncontrolling interest	519,034	-
Unrealized loss on investments	4,473	-
Deferred income taxes	75,000	81,000
Changes in assets and liabilities:		
Accounts receivable	79,024	(265,968)
Inventory	1,885,629	(1,904,122)
Prepaid expenses and other assets	(19,935)	179,133
Accounts payable	(45,479)	(531,348)
Unearned revenue	(1,034,583)	(1,560,463)
Accrued and other current liabilities	146,140	(10,024)
Other liabilities	44,575	6,736
Net cash and cash equivalents provided by (used in) operating activities	2,664,595	(2,497,895)
Cash Flows from Investing Activities		
Purchase of property and equipment	(94,968)	(199,575)
Proceeds from disposition of property and equipment	52,500	29,500
Purchases of investments	(3,450,000)	-
Purchases of intangible assets	(189,039)	(208,305)
Net cash and cash equivalents used in investing activities	(3,681,507)	(378,380)
Cash Flows from Financing Activities		
Proceeds from short-term debt	-	950,000
Payments on short-term debt	(950,000)	-
Proceeds from Paycheck Protection Program loan	-	2,823,907
Payments on capital lease payable	(302,763)	(139,605)
Distributions to noncontrolling interest	(519,034)	-
Net cash and cash equivalents (used in) provided by financing activities	(1,771,797)	3,634,302
Net (Decrease) Increase in Cash and Cash Equivalents	(2,788,709)	758,027
Cash and Cash Equivalents - Beginning of year	7,174,755	6,416,728
Cash and Cash Equivalents - End of year	\$ 4,386,046	\$ 7,174,755
Supplemental Cash Flow Information - Cash paid for interest	\$ 70,846	\$ 40,868
Significant Noncash Transactions		
Acquisition of property and equipment included in accounts payable	\$ 4,955	\$ 15,000
Property and equipment acquired with capital leases	338,726	709,491

Note 1 - Nature of Business

Edison Welding Institute (EWI or the "Company") is a tax-exempt entity located in Columbus, Ohio engaged in conducting scientific research and promoting educational activities in the fields of materials joining and allied technologies. EWI encourages the interaction of business, government, educational institutions, and research organizations to stimulate development, implementation, and transfer of advancements in the fields of materials joining and allied technologies. The Ohio State University (OSU), Battelle Memorial Institute, and The Welding Institute are the three founding members; however, the founding members are not active in the governance of EWI.

EWI owns the majority of the membership interest of its for-profit subsidiary, Fabrisonic, LLC (Fabrisonic), which is engaged in the development of technology and equipment for ultrasonic additive manufacturing of components, tooling, advanced alloys, and other products. EWI has a 60 percent membership interest in Fabrisonic. For the years ended June 30, 2021 and 2020, Fabrisonic had revenue and other support of approximately \$7,682,247 and \$3,277,191, respectively.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of EWI and its majority-owned subsidiary, Fabrisonic. All material intercompany accounts and transactions have been eliminated in consolidation.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventive or protective actions, such as temporary closures of nonessential businesses and shelter-at-home guidelines for individuals. As a result, the global economy has been negatively affected. EWI's operations have been impacted by the COVID-19 outbreak, with reductions in revenue in certain industries and segments. EWI has continued to meet the strict criteria by the Department of Defense and the Department of Homeland Security that mandates contractors must remain in operation so they can meet their obligations to the defense infrastructure. In addition to that, EWI also supports many companies that are deemed essential businesses. With EWI's credentials in place, EWI has not suffered production loss due to the shelter-in-place mandates. Most of EWI associates continue to work from home, and those who work in the building are to follow the CDC guidelines for distance and hygiene.

To offset the financial impact due to the disruption caused by COVID-19, EWI received a Paycheck Protection Program term note through a bank in the amount of \$2,823,907 during the year ended June 30, 2020, as described further in Note 10.

The severity of the continued impact due to COVID-19 on EWI's financial condition, results of operations, or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on EWI's customers and grantors, all of which are uncertain and cannot be predicted.

Cash and Cash Equivalents

EWI considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. EWI maintains its cash in demand deposit accounts. The balances, at times, may exceed federally insured limits. EWI continuously monitors its balances to minimize the risk of loss.

Investments

Investments consist of mutual funds and are recorded at fair value. Investment income or loss (including realized gains and losses on investments and interest and dividends) and unrealized gains and losses on investments are included in changes in net assets without donor restrictions.

Note 2 - Significant Accounting Policies (Continued)

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Unbilled receivables represent earned project revenue for which the projects have not yet met the contract billing requirements. EWI grants credit on open accounts to its customers and generally requires payment within 30 days from delivery or at specific milestone dates, as prescribed under the terms of its contract. EWI records an allowance for doubtful accounts for potentially uncollectible accounts. EWI estimates the allowance based on its analysis of funding appropriations versus performance under contract, customers' payment history, and other known factors concerning their current financial condition and ability to pay. The allowance for doubtful accounts was approximately \$(43,000) and \$(76,000) as of June 30, 2021 and 2020, respectively. After EWI has exhausted its collection efforts and determined that amounts are uncollectible at the individual invoice level, such amounts are charged against the allowance. Recoveries of accounts receivable previously written off are recorded when received.

Inventory

Inventory is stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out (FIFO) method. As of June 30, 2021 and 2020, inventory consisted primarily of work in progress machinery for customer projects, primarily held at a third-party site.

Property and Equipment

Property and equipment are recorded at cost. Property and equipment under capital leases are stated at the present value of minimum lease payments. Repairs and maintenance are charged to operations when incurred, and additions and improvements greater than \$1,000 are capitalized.

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life of buildings is 39 years, while office furniture and equipment, machinery and equipment, and vehicles are 5 to 7 years. Property and equipment held under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Intangible Assets

Intangible assets consist of various joining technology patents and licenses and are being amortized using the straight-line method over the life of the associated asset. Costs associated with obtaining a patent are capitalized when it becomes evident that the patent will be approved.

Impairment of Assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. During 2021 and 2020, an impairment test was performed on the carrying value of EWI's intangible assets. This resulted in a write-down of certain intangible assets of \$197,174 and \$91,425 for 2021 and 2020, respectively. The fair value was based on estimated future cash flows to be generated by the assets, discounted at a market rate of interest.

Note 2 - Significant Accounting Policies (Continued)

Revenue Recognition

EWI and its subsidiary have revenue resulting from contracts with customers related to research and education activities, product sales including sale of custom machinery and parts, and membership revenue. As part of EWI's research and education activities, EWI has contracts with both commercial customers and government resource providers. EWI's government contracts and grants are generally considered to be nonexchange transactions and outside the scope of ASC 606.

Research and education activities and membership revenue are generally recognized over time, product parts sales are generally recognized at a point in time, and product machinery sales can be recognized at a point in time or over time based on the terms and conditions of the contract. EWI's contracts with customers are with customer across the country. During 2021 and 2020, EWI recognized revenue from contracts with customers of \$18,432,216 and \$17,715,645, respectively. During 2021, revenue recognized over time was approximately \$11,707,506, with the remainder recognized at a point in time.

EWI's primary activity related to contracts with customers is providing research and development related to welding technologies to customers in a variety of industries, including manufacturing, aerospace, defense, and naval, located primarily in the United States. EWI also provides memberships to this customer base. EWI's for-profit subsidiary, Fabrisonic, is primarily in the business of providing patented machinery and parts to customers primarily in the manufacturing industry in the United States. Research and development and machinery contracts can be short term (less than or equal to one year in duration) or long term (more than one year in duration) based on the agreement and nature of services to be provided. Membership contracts typically last for one year. Parts sales are typically short term in nature. Research and development contracts can be priced at a fixed price or based on time and materials incurred, whereas product contracts are typically fixed price based on the delivered product.

Research and Education Activities

For research and education activities, EWI generally has performance obligations to provide research and development services in accordance with a specific customer statement of work. There is typically a final deliverable in the form of a report and/or prototype. The performance obligation is satisfied over time as the research and development activities are completed. Contracts typically provide for full payment of progress to date if the contract were to be terminated for convenience. EWI uses the input method to measure progress of performance obligations based on time and cost incurred.

Under the typical payment terms, the customer is billed on a monthly basis based on time and cost incurred on the project. Contracts are set at either a fixed price, time and materials, or cost not to exceed based on time and materials. For time and materials and cost not to exceed contracts, the total transaction price is variable based on the time and cost incurred.

Membership Revenue

For membership revenue, EWI has performance obligations to provide access to services over the term of the membership, including EWI facilities, materials, research database, and technical inquiries. The performance obligation is satisfied over time as access to services is provided. EWI uses the output method to measure progress of performance obligations transferred over time based on time elapsed.

Membership contracts are generally for a set price for one year and are not cancelable, except under limited circumstances. As a result, dues paid in advance are typically not refundable. Unearned revenue is recorded for amounts paid in advance. Customers are invoiced for each membership period prior to the start of the term.

Note 2 - Significant Accounting Policies (Continued)

Machinery Sales

For machinery sales, Fabrisonic has performance obligations to provide the custom machinery to the customer per specification per purchase order or contract. Based on the customized nature of the machinery, the asset produced for each customer does not have an alternative use for EWI. For each contract, the performance obligation is satisfied over time if Fabrisonic has an enforceable right to payment for performance completed to date per the contract. If there is not an enforceable right to payment in the contract, the performance obligation is satisfied at a point in time. If over time, EWI uses the input method to measure progress of performance obligations based on time and cost incurred. If point in time, the customer is determined to obtain control of the promised goods at the point that they receive and approve the final product. Fabrisonic outsources the manufacture of machines to vendors and machines are kept at the vendor location until delivery to the customer.

Under the typical payment terms, the customer is billed based on milestones set in the purchase order or contract. Transaction prices are typically fixed based on product to be delivered.

Fabrisonic typically offers warranties for machines sold for one year, but in some circumstances provide warranties up to three years. The warranty provides that the equipment was manufactured in accordance with mutually agreed-upon specifications and meets the customer's intended purposes. The vendor that Fabrisonic contracts production of the machines to provides a one-year warranty for each product back to Fabrisonic. At the time revenue is recognized, the Company estimates the cost of expected future warranty claims and records a liability but does not exclude any amounts from revenue.

Parts Sales

For parts sales, Fabrisonic has performance obligations to provide a certain quantity of parts over a period of time. Each part provided is considered to be a separate performance obligation. Control is transferred upon shipment of the product to the customer and revenue is recognized at that point in time.

Under the typical payment terms, the customer is billed for each shipment of product separately. The transaction price is fixed for each unit of product sold, as stipulated in the contract with the customer.

Fabrisonic provides warranties to customers as part of the sale that purchased good comply with required specification. Fabrisonic does not have a history of warranty costs for parts sales and, as such, does not record an accrual for the estimate cost of expected warranty claims.

Contract Assets and Liabilities

In some situations, EWI bills customers and collects cash prior to the satisfaction of the performance obligation which results in EWI recognizing contract liabilities. EWI does not typically recognize revenue before its right to some or all consideration becomes unconditional and, as such, does not recognize contract assets.

For the year ended June 30, 2021, the beginning balances of EWI's accounts receivable and contract liabilities from contracts with customers were \$2,948,635 and \$6,176,615, respectively, and the closing balances were \$2,158,683 and \$2,758,469, respectively. Contract liabilities related to contracts with customers are included in unearned revenue on the consolidated statement of financial position.

Note 2 - Significant Accounting Policies (Continued)

Contributions and Grants

EWI's government contracts and grants are generally considered to be nonexchange or contribution transactions. These contracts and grants can either be passed through another organization or direct with the federal, state, or local entity. Contracts and grants for research and other activities are recognized as the conditions of the grant have been met, which is typically when the qualifying costs are incurred. Grants and contributions that represent unconditional promises to give in the future are reported as revenue when received, measured at fair value. Contributions without grantor-imposed restrictions and contributions with grantor-imposed time or purpose restrictions that are met in the same period as the grant are both reported as unrestricted support. Other restricted grants are reported as restricted support and donor-restricted net assets.

Contracts with agencies of the federal government are subject to periodic funding by the contracting agency concerned. Funding for a contract may be provided in full at inception of the contract or throughout the term of the contract as services are provided. Expenditures on federal government contracts and grants, including indirect costs, are subject to audit by the federal government and adjustment pursuant to negotiations between EWI and government representatives.

Conditional promises to give are not recognized as revenue until barriers prescribed by the grant agreements are overcome. EWI records cash received in advance of meeting conditions as unearned revenue on the consolidated statement of financial position. As of June 30, 2021, conditional contributions related to the grant awards were approximately \$9,843,000, for which barriers per the contract or grant agreement have not yet been overcome.

Lease Income

EWI leases approximately 27 percent of its operating facility to OSU under an operating lease agreement that expires in March 2025. Monthly rent expense varies based on a percentage of EWI's debt service and building operating costs.

Concentrations of Credit Risk

Financial instruments, which potentially subject EWI to a concentration of credit risk, principally consist of accounts receivable. EWI grants credit to its customers, which are varied in terms of size, geographic location, and financial strength. Customer balances are continually monitored to minimize the risk of loss. For the year ended June 30, 2021, two customers/grantors accounted for approximately 26 percent of total revenue, and three customers/grantors accounted for approximately 42 percent of the accounts receivable balance at June 30, 2021. For the year ended June 30, 2020, two customers/grantors accounted for approximately 30 percent of total revenue, and six customers/grantor accounted for approximately 44 percent of the accounts receivable balance at June 30, 2020.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in Note 20. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Certain personnel costs, occupancy, depreciation, lab and office supplies, professional services, and insurance costs are allocated based on full-time equivalencies by department. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

EWI is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). However, EWI is taxed on income that is not considered related to its exempt purpose and on the income of its for-profit subsidiary. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by EWI and recognize a tax liability if EWI has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by EWI and has concluded that, as of June 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. EWI is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Classification of Net Assets

Net assets of EWI are classified based on the presence or absence of grantor-imposed or donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of EWI.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of EWI or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2021 and 2020, there were net assets with donor restrictions related to an unconditional grant received from a grantor during the year.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Noncontrolling Interests

Noncontrolling interests represent the portion of the net assets in subsidiaries not attributable, directly or indirectly, to EWI. The change in net assets derived from the performance of the subsidiary that is not attributable, directly or indirectly, to EWI is allocated to noncontrolling interests. See Note 18 for allocation of noncontrolling interests.

The operating agreement for Fabrisonic stipulates that income and losses are to be allocated to owners based on their pro rata share of ownership, subject to special provisions regarding allocation of losses to members with positive capital accounts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The provisions of this statement were originally effective for EWI's year ending June 30, 2022 but were extended to June 30, 2023 with the issuance of ASU No. 2020-05, *Effective Dates for Certain Entities*. The new standard will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. EWI is still evaluating which method it will apply. The new lease standard is expected to have an effect on EWI's financial statements as a result of EWI's operating leases, as disclosed in Note 13, that will be reported on the consolidated statement of financial position at adoption. Upon adoption, EWI will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Subsequent Events

EWI has evaluated subsequent events for potential recognition and/or disclosure through February 24, 2022, the date the consolidated financial statements were available to be issued.

Note 3 - Adoption of New Accounting Pronouncement

As of July 1, 2020, EWI adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. EWI adopted the new standard using the modified retrospective method to all contracts effective July 1, 2020 and is using a portfolio approach to group contracts with similar characteristics. Modified retrospective adoption requires entities to apply the standard retrospectively to the most current period presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings at the date of initial application. Prior periods have not been adjusted. No cumulative-effect adjustment in net assets was recorded, as the adoption of the ASU did not significantly impact EWI's reported historical revenue.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2021	2020
Buildings	\$ 11,145,554	\$ 11,145,554
Building improvements	688,938	1,338,593
Machinery and equipment	16,204,258	15,985,578
Vehicles	13,550	13,550
Office furniture and equipment	3,734,825	3,918,193
Equipment not yet placed in service	9,962	84,468
	<hr/>	<hr/>
Total cost	31,797,087	32,485,936
Accumulated depreciation	23,214,633	22,057,260
	<hr/>	<hr/>
Net property and equipment	<u>\$ 8,582,454</u>	<u>\$ 10,428,676</u>

Depreciation expense for 2021 and 2020 was \$1,953,620 and \$1,844,725, respectively.

The building is located on land owned by OSU, which is leased by EWI for \$1 per year under an agreement that expires on March 31, 2025. The agreement has renewal options for two additional five-year periods.

Note 5 - Property and Equipment Funded by Grants

EWI has received approximately \$1,500,000 of funds through OSU to acquire advanced sheet metal forming equipment and facilities. As part of this agreement, in exchange, EWI will provide access to the equipment to OSU staff and students, usage of tooling and equipment for demonstrations and research, and promotion of collaborative forming activities over a period of 20 years, commencing when the equipment is installed and ready for usage. Management has concluded that commensurate value is exchanged in this transaction and, as such, is an exchange transaction.

Under this agreement, EWI has performance obligations to provide access to the equipment and other services to OSU over the life of the agreement. These services are considered one performance obligation as they are substantially the same and have the same pattern of transfer over the term of the contract. The performance obligation is satisfied over time as access to the services are provided to OSU over the 20-year term of the contract and OSU obtains the benefits of such services as they are performed. Funds were provided up front as part of the acquisition of equipment in accordance with the contract; there is no further billing under the contract. Transaction price was fixed as part of the contract. EWI uses the output method to measure progress of performance obligation based on time incurred on the contract.

During 2018, EWI acquired \$1,477,500 of property and equipment under this grant agreement. As funds were received prior to the satisfaction of the performance obligation, a contract liability has been recognized on the financial statements. As of June 30, 2021 and 2020, unearned revenue related to this grant was \$1,188,867 and \$1,263,171, respectively, and is reported as long-term unearned revenue on the consolidated statement of financial position.

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that EWI has the ability to access.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 6 - Fair Value Measurements (Continued)

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Total investments of \$3,445,527 at June 30, 2021 consist of mutual funds classified as Level 1.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. EWI’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

EWI also has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. These assets consist of patent intangible assets that are remeasured at fair value if any impairment indicators are met. Impairment indicators were met for certain assets as of June 30, 2021 and 2020. See Note 2 for further details. EWI has estimated the fair values of these assets primarily based on Level 3 inputs. The significant unobservable inputs used in the fair value measurement of the patent intangible assets were the estimated future cash flows to be generated by the assets, discounted at a market rate of interest.

EWI has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements, including annual analysis of assets for future use and inputs in the estimated future cash flow projections.

Note 7 - Intangible Assets

Intangible assets of EWI at June 30, 2021 and 2020 are summarized as follows:

	2021		2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	\$ 1,666,908	\$ 764,993	\$ 1,834,579	\$ 817,146

Amortization expense for intangible assets totaled \$107,383 and \$118,216 for the years ended June 30, 2021 and 2020, respectively.

Estimated amortization expense for the years ending June 30 is as follows:

Years Ending	Amount
2022	\$ 80,914
2023	78,822
2024	73,904
2025	63,907
2026	59,597
Thereafter	544,771
Total	\$ 901,915

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 8 - Short-term Debt

During the year ended June 30, 2021, EWI entered into a term loan with a bank that bears interest at the prime rate plus 2.25 percent (an effective rate of 5.50 percent at June 30, 2021 and 2020). The term loan requires monthly payments of interest, with principal due at maturity. The note was scheduled to mature in September 2020 and was paid in full prior to maturity. The term loan is collateralized by substantially all assets of EWI. The balance of the term loan was \$950,000 as of June 30, 2020, presented as current on the consolidated statement of financial position.

Note 9 - Line of Credit

Under a line of credit agreement with a bank, EWI has available borrowings of approximately \$1,500,000. The line of credit expires on November 30, 2022 and is secured by substantially all assets of EWI. Interest is payable monthly at a variable rate. Under the agreement with the bank, EWI is subject to certain restrictive covenants. There was no balance outstanding as of June 30, 2021 and 2020.

Note 10 - Paycheck Protection Program Loan

During 2020, EWI received a Paycheck Protection Program (PPP) loan through a bank in the amount of \$2,823,907. The PPP Loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met.

During the year ended June 30, 2021, EWI applied for and received notification of forgiveness of the loan from the SBA. Loan forgiveness for the entire amount of the loan has been recorded as loan forgiveness on the consolidated statement of activities and changes in net assets.

Note 11 - Research and Education Activities

Revenue and other support from research and education activities and from government and commercial clients is as follows for the years ended June 30:

	2021	2020
Government	\$ 13,280,247	\$ 13,488,141
Commercial	9,836,927	13,710,899
Total	\$ 23,117,174	\$ 27,199,040

At June 30, 2021 and 2020, EWI had accounts receivable (billed) balances from government clients of \$1,428,200 and \$849,015, respectively, and commercial clients of \$1,190,967 and \$1,848,547, respectively.

Note 12 - Capital Leases

EWI leases equipment under long-term lease arrangements that are classified as capital leases. For financial statement purposes, the present values of the net minimum lease payments have been capitalized and are being amortized over the useful lives of the assets. Under the terms of the lease agreements, payments ranging from \$1,700 to \$9,996 are due monthly through June 2025. The leases have been imputed with interest at annual rates ranging from 5.11 percent to 6.68 percent. One of the capital leases matured in March 2018.

At June 30, 2021 and 2020, property under capital leases consists of property and equipment with a gross cost of \$1,778,545 and \$1,439,819, respectively. Accumulated depreciation on the property under capital leases was \$729,058 and \$347,332 at June 30, 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 12 - Capital Leases (Continued)

Depreciation expense on property under capital leases is included in the depreciation amount disclosed in Note 4.

The future minimum lease payments under capital leases are as follows:

Years Ending June 30	Amount
2022	\$ 371,887
2023	371,887
2024	260,462
2025	181,442
2026	<u>4,160</u>
Total	1,189,838
Less amount representing interest	<u>108,960</u>
Present value of net minimum lease payments	1,080,878
Less current obligations	<u>338,880</u>
Long-term obligations under capital leases	<u><u>\$ 741,998</u></u>

Note 13 - Operating Leases

EWI leases property and equipment under various noncancelable operating leases expiring at various dates through June 2026. Total rent expense under these leases were \$643,096 and \$731,928 for 2021 and 2020, respectively.

Future minimum annual commitments under these operating leases are approximately as follows:

Years Ending June 30	Amount
2022	\$ 567,612
2023	557,915
2024	555,359
2025	562,072
2026	<u>574,739</u>
Total	<u><u>\$ 2,817,697</u></u>

Note 14 - Employee Benefit Plan

EWI sponsors a 401(k) plan that covers all eligible full-time employees. The plan provides for EWI to make a discretionary matching contribution on behalf of each eligible participant equal to 50 percent of the first 8 percent of compensation deferred by the participant to the plan. EWI contributes an additional safe harbor contribution to each participant's account equal to 3 percent of compensation. Contributions to the plan totaled \$821,464 and \$836,894 for the years ended June 30, 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 15 - Contingencies

The amount of U.S. government contract expense reflected in the consolidated financial statements attributable to cost-reimbursement contracts is subject to audit and possible adjustment by the Defense Contract Audit Agency. EWI, as a not-for-profit organization receiving federal funds, is required to have an annual compliance audit in accordance with the provisions of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*.

EWI has certain pending legal proceedings that are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by EWI. In the opinion of management, the ultimate disposition of such proceedings is not expected to have a material adverse effect on EWI's consolidated financial position, results of operations, or cash flows.

Note 16 - Related Party

During 2014, EWI cofounded the American Lightweight Materials Manufacturing Innovation Institute (ALMMII) dba LIFT with two other unrelated parties as corporate members. ALMMII is a related party of EWI due to being one of three corporate members and having a voting membership on the board of directors of ALMMII. EWI had accounts receivable from ALMMII totaling \$25,495 and \$11,532 at June 30, 2021 and 2020, respectively, and earned revenue from ALMMII totaling \$30,552 and \$512,891 for the years ended June 30, 2021 and 2020, respectively.

Note 17 - Income Taxes

The components of the income tax expense included in the consolidated statement of activities and changes in net assets are all attributable to continuing operations and are detailed as follows:

	2021	2020
Deferred income tax expense	\$ 75,000	\$ 81,000
Current income tax expense	13,471	84,684
Total income tax expense	<u>\$ 88,471</u>	<u>\$ 165,684</u>

A reconciliation of the provision for income taxes to income taxes computed by applying the statutory United States federal rate to taxable income before taxes is as follows:

	2021	2020
Income tax recovery on unrelated business income	\$ (296,007)	\$ (477,949)
Income tax expense for Fabrisonic	68,194	467,974
Change in valuation allowance	257,000	231,000
Other	59,284	(55,341)
Total income tax expense	<u>\$ 88,471</u>	<u>\$ 165,684</u>

The details of the net deferred tax asset are as follows:

	2021	2020
Total deferred tax assets	\$ 1,179,000	\$ 997,000
Valuation allowance recognized for deferred tax assets	<u>(1,061,000)</u>	<u>(804,000)</u>
Net deferred tax asset	<u>\$ 118,000</u>	<u>\$ 193,000</u>

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 17 - Income Taxes (Continued)

Realization of deferred tax assets is dependent on generating sufficient taxable income prior to the expiration of loss carryforwards. EWI has net operating loss carryforwards available to reduce future income taxes. Net operating loss generated for 2018 and prior expire in 2037 through 2038, and net operating losses generated in 2019 and forward do not expire. Due to uncertainty as to the realization of net operating loss carryforwards, a valuation allowance has been recorded against the related deferred tax asset representing the amount of the net operating loss carryforward that is unlikely to be used. The amount of the net deferred tax asset is considered realizable; however, it could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Note 18 - Changes in Consolidated Net Assets without Donor Restrictions Attributable to the Controlling Interest and Noncontrolling Interest

For the years ended June 30, 2021 and 2020, changes in consolidated net assets without donor restrictions attributable to controlling and noncontrolling interest was as follows:

	Controlling Interest	Noncontrolling Interest	Total
Net assets without donor restrictions - July 1, 2019	\$ 14,011,145	\$ -	\$ 14,011,145
Changes in net assets	(996,325)	307,366	(688,959)
Net assets without donor restrictions - June 30, 2020	13,014,820	307,366	13,322,186
Changes in net assets	856,127	547,056	1,403,183
Net assets without donor restrictions - June 30, 2021	<u>\$ 13,870,947</u>	<u>\$ 854,422</u>	<u>\$ 14,725,369</u>

Note 19 - Liquidity and Availability of Resources

EWI's financial assets available within one year of June 30 for general expenditure are as follows:

	2021	2020
Cash and cash equivalents	\$ 4,386,046	\$ 7,174,755
Short-term investments	3,445,527	-
Accounts receivable	5,876,320	5,923,294
Total	<u>\$ 13,707,893</u>	<u>\$ 13,098,049</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

EWI has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to pay for general expenditures, liabilities, and other obligations that come due.

EWI also realizes there could be unanticipated liquidity needs.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 20 - Functional Expenses

For the year ended June 30, 2021, expenses are functionally allocated as follows:

	Cost of Research and Education Activities	General and Administrative	Total
Personnel costs	\$ 16,275,603	\$ 1,937,704	\$ 18,213,307
Depreciation and amortization	2,038,652	22,711	2,061,363
Lab and office supplies	1,353,436	105,544	1,458,980
Miscellaneous	588,025	19,921	607,946
Occupancy	1,429,052	4,394	1,433,446
Project services and materials	6,826,628	-	6,826,628
Professional services	966,565	194,879	1,161,444
Travel	99,925	47,766	147,691
Marketing	237,508	-	237,508
Advertising	-	132,492	132,492
Insurance	290,208	49,976	340,184
	<u>\$ 30,105,602</u>	<u>\$ 2,515,387</u>	<u>\$ 32,620,989</u>

For the year ended June 30, 2020, expenses are functionally allocated as follows:

	Cost of Research and Education Activities	General and Administrative	Total
Personnel costs	\$ 16,160,910	\$ 2,269,458	\$ 18,430,368
Depreciation and amortization	1,920,315	42,627	1,962,942
Lab and office supplies	1,343,276	197,250	1,540,526
Miscellaneous	292,691	19,411	312,102
Occupancy	1,401,577	110,811	1,512,388
Project services and materials	4,635,700	-	4,635,700
Professional services	1,855,781	293,973	2,149,754
Travel	536,769	64,122	600,891
Marketing	548,990	-	548,990
Advertising	-	171,375	171,375
Insurance	247,901	61,435	309,336
	<u>\$ 28,943,910</u>	<u>\$ 3,230,462</u>	<u>\$ 32,174,372</u>

Edison Welding Institute

Federal Awards Supplemental Information
June 30, 2021

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Edison Welding Institute

We have audited the consolidated financial statements of Edison Welding Institute (EWI) as of and for the year ended June 30, 2021 and have issued our report thereon dated February 24, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to February 24, 2022.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

February 24, 2022

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Edison Welding Institute

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Edison Welding Institute (EWI), which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 24, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered EWI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of EWI's internal control. Accordingly, we do not express an opinion on the effectiveness of EWI's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of EWI's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EWI's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Directors
Edison Welding Institute

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of EWI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EWI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

February 24, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Edison Welding Institute

Report on Compliance for Each Major Federal Program

We have audited Edison Welding Institute's (EWI) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on EWI's major federal program for the year ended June 30, 2021. EWI's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of EWI's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about EWI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of EWI's compliance.

Opinion on Each Major Federal Program

In our opinion, EWI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of EWI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered EWI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of EWI's internal control over compliance.

To the Board of Directors
Edison Welding Institute

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

February 24, 2022

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Contract Number/Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster				
Department of Defense				
Direct Awards:				
Basic Scientific Research	12.431	DAAD19-03-2-0002	\$ -	\$ 10,883
Basic Scientific Research	12.431	W911NF-13-2-0038	-	78,192
National Shipbuilding Research Program	12.RD	Subcontract #2019-375	-	347,318
National Shipbuilding Research Program	12.RD	Subcontract #2019-375	-	506,408
National Shipbuilding Research Program	12.RD	Subcontract #2019-375 Task Order 4	-	281,452
Passed through Advanced Technology Institute:				
Basic and Applied Scientific Research	12.300	Subcontract #2015-451 Task Order 5	-	323,048
Basic and Applied Scientific Research	12.300	CNST 2012-419 Order 12	-	201,416
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	101,790
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	114,709
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	121,404
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	120,251
Basic and Applied Scientific Research	12.300	Subcontract #2017-507 Task Order 15	-	168,716
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	101,757
Basic and Applied Scientific Research	12.300	Subcontract #2019-678 Task Order 1	-	9,005
Basic and Applied Scientific Research	12.300	Subcontract #2019-375	-	7,723
Basic and Applied Scientific Research	12.300	Subcontract #2019-375	-	1,289
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	474,817
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	178,066
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	210,224
Basic and Applied Scientific Research	12.300	Subcontract #2015-451 Task Order 9	-	95,436
Basic and Applied Scientific Research	12.300	Subcontract #2015-451 Task Order 7	-	133,462
Basic and Applied Scientific Research	12.300	Subcontract #2017-504 Task Order 14	-	248,833
Basic and Applied Scientific Research	12.300	Subcontract #2017-507 Task Order 16	-	25,028
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	258,822
Basic and Applied Scientific Research	12.RD	Subcontract #2019-375 Task Order 4	-	125,363
Total passed through Advanced Technology Institute			-	3,021,159
Passed through America Makes - Air Force Defense Research Sciences Program	12.800	FA8650-16-2-5700	-	132,494
Passed through Eaton Corporation - Large Scale Low Energy Additive Manufacturing (LEAM)	12.RD	PO 0011-44061 Prime W52P1J-20-9-3021	-	319,306
Passed through Flightware - Design, Develop, and Demonstrate Integrated Area Profliometer (IAP) Sensor System	12.RD	PO # 06219EW	-	81,087
Passed through GE Global Research - Air Force Defense Research Sciences Program	12.800	GE Sub 20182090	-	12,001
Passed through Luna Innovations Incorporated - Standardized Additive Manufacturing	12.RD	360002EWI/SP4701-19-C-0056	-	86,789
Passed through National Center for Defense Manufacturing and Machining - Air Force Defense Research Sciences Program	12.800	Prime FA8650-20-2-5700	-	713,985
Passed through National Center for Manufacturing Sciences - National Center for Manufacturing Sciences Advanced Manufacturing, Materials & Processes Consortium	12.RD	W911NF2090002	-	310,259

See notes to schedule of expenditures of federal awards.

Edison Welding Institute

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Contract Number/Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster (Continued)				
Department of Defense (Continued)				
Passed through OPEX Solutions - Standardized Additive Manufacturing	12.RD	PO8507280330	\$ -	\$ 24,064
Passed through Robotic Technologies of Tennessee - National Shipbuilding Research Program	12.RD	#2020-303	-	45,220
Passed through Wichita State University - Air Force Defense Research Sciences Program	12.800	WSU#20-00253	-	<u>144,463</u>
Total Department of Defense			-	6,115,080
Department of Energy				
Direct Award - Conservation Research and Development	81.086	DE-EE0009118	-	935,929
Passed through GE Global Research - Fossil Energy Research and Development	81.089	DOE NETL FOA 2192	-	37,054
Passed through Knolls Atomic Power Laboratory: Nuclear Energy Research, Development and Demonstration	81.121	Master Agreement No 125025	-	619
Nuclear Energy Research, Development and Demonstration	81.121	Master Agreement No 125025	-	<u>49,576</u>
Total passed through Knolls Atomic Power Laboratory			-	50,195
Passed through Oak Ridge National Laboratory - Welding Process Review	81.RD	PO # 4000169045	-	<u>65,200</u>
Total Department of Energy			-	1,088,378
Department of Transportation				
Direct Award - National Spherical Torus Experiment Upgrade	20.RD	693JJ619C000015	-	<u>18,872</u>
Total Department of Transportation			-	<u>18,872</u>
Total Research and Development Cluster and Total Federal Expenditures			<u>\$ -</u>	<u>\$ 7,222,330</u>

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Edison Welding Institute (EWI) under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of EWI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of EWI.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

EWI has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None